UNITED NATIONS

DP

Governing Council of the United Nations Development Programme

Distr.
GENERAL

DP/CP/VAN/3
12 March 1993

ORIGINAL: ENGLISH

Fortieth session
1-18 June 1993, New York
Item 4 (a) of the provisional agenda

PROGRAMME PLANNING AND IMPLEMENTATION

Country, intercountry and global programmes

THIRD COUNTRY PROGRAMME FOR VANUATU

Programme period	Resources	$
January 1993-December 1996	Net IPF	1 751 000
	Estimated cost-sharing	0
	Total	1 751 000

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I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

A. Current socio-economic situation

1. Vanuatu is an archipelago of some 80 small islands with a total population of over 197,000. It faces many of the constraints which inhibit development in small island developing countries. These include diseconomies of scale, dependence on a narrow range of export crops, limited natural resources, distance from foreign markets, lack of skilled manpower, limited access to capital markets and development finance and vulnerability to natural disasters.

2. National income per capita, estimated at $820 in 1988, is largely attributed to expatriate earnings. There exists a large income disparity between the urban and rural areas and between regions. Eighty per cent of the population live in rural areas. A large proportion of this population remains relatively isolated without access to proper health care and education. The population growth rate of 3.1 per cent is high, thereby generating increasing demands on natural resources, employment, education and social services. The adult literacy rate is only 30 per cent and access to education, particularly at the secondary level, is limited. Along with problems of malnutrition, infant mortality is high (69 per 1,000 live births). Life expectancy is 69.5 years. Urban migration, driven by a combination of factors, including population growth, poverty and economic polarization, is becoming a major issue.

3. Progress has been made in improving the national employment level by way of investments in productive activities and social services, as well as the unification of the inherited dual colonial structures. Economic performance in recent years has been affected by adverse world economic conditions, domestic political events and natural disasters (cyclones). While still dependent on a few agricultural commodities for its export earnings, namely copra, cocoa, beef and timber, Vanuatu has achieved a significant degree of diversification in the services sector, particularly in tourism and off-shore banking. The service sector contributes two thirds of the gross domestic product (GDP).

4. The public sector, which comprises the central government, 11 regional governments and 9 public enterprises, plays a preponderant role in the economy, with its combined expenditure exceeding 50 per cent of GDP. The Government faces persistent fiscal difficulties which result from the high level of general administration, health and education expenditures associated with maintaining a relatively large public sector and from declining support from donors.

B. National development objectives and strategies

5. Vanuatu's third five-year national Development Plan (1992-1996) encompasses three major themes: economic self-reliance, balanced regional development and the improvement of the quality of life in rural areas. The main national development objectives include accelerated human resources development, increased productive utilization of natural resources, rural development, expansion of the private sector and conservation of the environment and cultural heritage. Broad strategies to meet these objectives include promotion of small-holder agriculture, including increased production and marketing of

traditional food crops; encouragement of foreign investment in the export sectors; and improvement in public sector efficiency and management.

II. EXTERNAL COOPERATION

A. Role of external cooperation

6. Vanuatu is heavily dependent on foreign aid for its development expenditures. External assistance during 1990 totalled $32 million. Major bilateral donors include the Government of France, with a contribution of $9 million; the Government of the United Kingdom of Great Britain and Northern Ireland, with $8.8 million; the Government of Australia, with $8.3 million and the Government of New Zealand, with $1.5 million. Multilateral assistance included a total of $1.2 million from the United Nations system and $2.5 million from the European Economic Community (EEC). Other multilateral assistance was provided by the Asian Development Bank (AsDB) and the World Bank.

B. Coordination arrangements

7. The National Planning and Statistics Office is the focal point for aid programming in Vanuatu. According to existing development planning procedures, projects requiring funding in excess of $200,000 are approved by the Council of Ministers. Projects with funding below that amount are approved by a National Development Commission which also acts as an advisory body for projects submitted to the Council of Ministers. The National Planning and Statistics Office serves as the technical secretariat for both bodies and is responsible for identifying sources of funding. Once approved, project proposals are officially submitted to donor agencies through the Ministry of Foreign Affairs, External Trade and Immigration.

8. The Government has utilized the UNDP round-table mechanism in the fourth cycle. UNDP support will be sought by the Government during the third country programme period in activating this modality to strengthen national aid coordination capacity and to organize a round-table conference of donors, to be held no later than 1994.

III. THE COUNTRY PROGRAMME

A. Assessment of ongoing country programme

9. The second country programme covered eight sectors identified in Vanuatu's second Development Plan. These were: developing planning and public administration, industry, health, education, employment creation, fisheries, natural resources development and cyclone emergency relief. Projects were implemented for the preparation of the second Development Plan, as well as for the third Development Plan, currently being finalized. Progress has been made in establishing a statistical base for national accounts. Tourism promotional activity has been enhanced through the establishment of the Vanuatu Tourist Office. A labour-based construction technology has been successfully tested and proposed as a model to be adopted during the country programme.

10. The 1989 mid-term review of the second country programme concluded that, on the whole, the programme has been flexible and responsive to the country's needs. However, scattered projects resulted in dilution of impact. It was recommended that the third country programme be built on the activities initiated under the second country programme, concentrating available resources in a few key areas where UNDP assistance can make a difference and generate maximum impact.

11. There were a number of constraints to national capacity-building. Weak counterpart support restricted institution-building efforts. Manpower shortages affected the Government's capacity to execute projects. Only 6 out of the total 36 projects during the fourth cycle were nationally executed. The shortage of experienced and qualified national staff caused long-term technical cooperation staff to operate in line positions rather than their intended advisory role. In the future, the Government will strive to mobilize national counterparts in areas of strategic importance, and efforts to provide more effective training programmes will be made.

B. Proposals for UNDP cooperation

1. Preparatory process

12. At the request of the Government, the Governing Council approved an extension of the second country programme, through 1992. The third country programme, therefore, covers the 1993-1996 period. It was formulated following substantive consultations between the Government, other donors and agencies of the United Nations system. The consultation process included a comprehensive review of the recommendations of the mid-term review of the second country programme and current economic reports of the World Bank and AsDB, as well as discussions between the Government and UNDP on the focus of the Government's new Development Plan and the UNDP advisory note.

2. Strategy for UNDP cooperation

13. While second country programme activities were scattered over the eight sectoral areas, they have led to expanded programme activities that have attracted other donor participation in many of these areas. The Government, in cooperation with UNDP, carefully reviewed the status of these programme activities and the need for further intervention. On this basis, it proposed that the limited programmable resources of the third country programme be concentrated in the priority areas put forward by the Governing Council in decision 90/34 of 25 June 1990, where UNDP has a proven comparative advantage in terms of access to a global network of specialized expertise. The decision to concentrate country programme resources is intended to achieve greater impact.

14. The proposed intervention will be catalytic in nature, contributing to larger national programmes with other donor inputs. They will provide a comprehensive frame of reference for priority technical cooperation needs. Hence, mobilization of resources from UNDP Special Programme Resources, other United Nations agencies, the United Nations Capital Development Fund (UNCDF) and regional programmes of UNDP is of crucial importance to Vanuatu. The United

Nations Population Fund (UNFPA) and United Nations Children's Fund (UNICEF) will have a complementary role in priority assistance to the social sectors, including population activities, primary health care and education, with special emphasis on the needs of the disadvantaged, rural ni-Vanuatu. Capital assistance provided by UNCDF will supplement and strengthen the country programme. The Government also wishes to draw on the lead role of UNDP in the follow-up to the 1992 United Nations Conference on Environment and Development (UNCED) and the implementation of Agenda 21, in support of national capacity-building for sustainable development.

3. Proposed UNDP cooperation in selected areas of concentration

15. The two main areas recommended for the use of UNDP resources are management development and balanced and sustainable regional development.

Management development

16. The Government's economic and financial management and, hence, development strategy is to provide a stable and conducive environment for economic growth and private-sector investment. This strategy calls for encouraging fiscal and budgetary restraints through prudent policies; streamlining and upgrading the efficiency of public services through appropriate reforms; enhancing the performance of potential key growth sectors, namely agriculture, tourism and public services through strategic sectoral and programme planning; and, finally, developing human resources through improved and expanded educational services.

17. To support the above strategies, the Government proposes that UNDP support two main activities. In the first, an assessment of economic management and public-sector reform needs will be undertaken with a view to establishing a self-sustaining institutional capacity to manage the public sector. The assessment will focus on the following three areas: (a) public-sector organizational structure and interdepartmental coordination; (b) viability of public enterprises with a view to privatization where appropriate; and (c) effective resource mobilization, both externally and nationally.

18. This assessment is expected to be catalytic in nature and to lead to the formulation of a national economic and financial management programme which will attract additional resources. UNDP assistance will also be sought to strengthen the Government's capacity to manage external assistance. Through the round-table process, policy dialogue with donors and resource mobilization will be facilitated. In-country coordinating meetings that focus on a key sector or development issue will be arranged as part of the round-table process. Specialized support to the in-country programme in the areas of fiscal, monetary and macroeconomic policy formulation and implementation will be sought from the UNDP regional Economic and Financial Management and Reform programme.

19. Under a second activity, UNDP assistance will serve to strengthen the Government's capacity to develop sectoral tourism and education programmes. UNDP cooperation in these key sectors will be provided under the two ongoing projects on Tourism Master Plan Formulation and Education Planning. The tourism project will serve to identify and put in place policy measures and planning capabilities that are required to stimulate tourism on a sustainable basis. The

education project is intended to contribute to improved planning and cost-efficiency in the delivery of formal educational services; it is expected to receive substantive backstopping from the UNDP regional Basic Education and Life Skills programme. The Government intends to use the country programme to provide a framework in these strategically important areas for coordinating the inputs of major donors, particularly the World Bank, EEC, and the Governments of Australia and the United Kingdom.

20. Approximately 31 per cent of total programme resources is expected to be channelled to this area of concentration. This particular area will also rely on Special Programme Resources to support management development and aid coordination.

21. In terms of results, UNDP support will provide a broad assessment of national economic management and public-sector reform needs, on the basis of which projects will be formulated for donor support. At the sectoral level, UNDP support will have strengthened national capacity to formulate and implement key development policies and strategies in two sectors of the highest priority. Aid coordination and mobilization capabilities will also be strengthened. The impact of country programme interventions will be measured by the extent to which they contribute to the formulation of macroeconomic and sectoral policies necessary for Vanuatu to achieve sustained economic growth.

Balanced and sustainable regional development

22. As a follow-up to UNCED, the Government is committed to the implementation of Agenda 21 and the promotion of environmentally sustainable economic growth and development. The Government views balanced regional development as the first step towards sustainable development. The Government sees the rural population as a major disadvantaged group and recognizes the urgent need to distribute equitably the benefits of development, particularly in favour of the most remote and poorly serviced regions. These efforts should address such basic human needs as health care, sanitation, family planning, employment and basic physical infrastructure. Furthermore, development must be made sustainable by ensuring the participation and involvement of rural communities and of women.

23. In support of this objective, the Government wishes to implement a country programme that comprises the following activities.

24. An adequate road network, including access and feeder roads, constitutes an important component of rural physical infrastructure. Though substantial progress has been made in rural road construction with capital assistance provided by such donors as the EEC under the LOME IV Agreement, maintenance is a major problem because the Government is unable to finance recurrent costs. Under a previous project (Establishment of small- and medium-scale industries - VAN/88/004), cost-effective, labour-based methods of road and bridge construction, which draw on the participation of the community, had been successfully demonstrated. The project also provided cash income opportunities in rural communities, where such opportunities are rare. The labour-based methods and community participation at the grass-roots level were seen as an appropriate approach, which will be integrated into the regular maintenance and

construction programmes of the Public Works Department and Local Government Councils.

25. The second area of UNDP assistance will be to strengthen the Government's capacity to manage and implement a national forestry action programme for sustainable land use and natural resources management, which is directly supported under the themes of Agenda 21. Efforts will be made to seek a multisectoral and participatory planning and implementation process to help the Government coordinate efforts of other donors and non-governmental organizations (NGOs). The programme will also emphasize the participation of women. Consideration will be given to the preservation and adaptation of local knowledge and traditional methods for optimal resource management. It is envisaged that Capacity 21 funding will be available for this programme and that the Pacific subregional project on forestry development shall provide added technical support.

26. Approximately 30 per cent of indicative planning figure (IPF) resources will be allocated to this area of concentration. Complementary assistance will be provided by the regional programme for Asia and the Pacific, UNCDF and other United Nations organizations. The regional equitable and sustainable human development programme (RAS/92/300) will assist in community-based development planning and implementation. UNCDF, in collaboration with UNICEF, is carrying out a rural health programme that provides appropriate sanitation facilities, as well as training in the maintenance of such facilities. It is also financing the construction of a boat yard and mechanical workshop on the island of Santo, which will support the local fisheries and marine transport sectors. UNFPA will support activities to strengthen further the national capacity to formulate population policies and programmes. It will also consider support to surveys to enhance the knowledge base and understanding of the linkages between population growth and development. The Pacific Regional Environmental Planning and Management Project and the Global Environment Facility (GEF)-funded South Pacific Biodiversity Programme will assist the Government's Environment Unit in such areas as developing environment management strategies and establishing nature conservation zones.

27. UNDP support is expected to galvanize development at the grass-roots level, especially in remote rural communities. While the programme will concentrate on labour-intensive, participatory methods of rural infrastructure development and the establishment of a policy framework for participatory forestry development, these efforts will be coordinated with those of the UNDP Pacific Regional Programme and other donor agencies, as indicated above. The net results, by the end of the programme period, will be the planning, implementation and replication of a number of community-initiated development activities, affecting the overall well-being of the people. The results and impact of the programme will be measured according to the extent to which they contribute to achieving the national objectives of sustained and balanced regional development.

C. Assistance outside the main areas of concentration of the country programme

28. Approximately 10 per cent of the IPF is committed to ongoing projects, mainly Energy Management and Assistance to the Vanuatu Development Bank, which do not fall within the above areas of concentration.

D. Implementation and management arrangements

29. It is suggested that a programme approach be used in implementing the new country programme. Scattered projects will be avoided and linkage with other donors in support of the overall national programmes will be developed, most notably through the round-table process. The Government will carefully consider its capacity for national execution. The use of short-term consultancies, United Nations Volunteers (UNVs) and technical cooperation among developing countries (TCDC) will also be encouraged.

30. It is suggested that a number of potential national project staff be identified earlier on in programme and project formulation and that relevant training programmes be formulated and carried out as part of programme and project activities. National execution training will continue in areas where the Government wishes to strengthen its capacity for project execution. The assessment of national capabilities in other areas where United Nations assistance is targeted will also be carried out in order to determine where counterpart strengthening is required and where this modality can be encouraged in the future.

31. It is envisaged that 25 per cent of the fifth cycle IPF will be held in reserve and reallocated to the two areas of concentration as and when funds are released. It is proposed that a mid-term review be scheduled in 1995 to assess the performance and impact of the country programme.

Annex I

FINANCIAL SUMMARY

I. ESTIMATED RESOURCES (IPF + cost-sharing) TAKEN INTO ACCOUNT FOR PROGRAMMING

(Thousands of dollars)

Carry-over from fourth cycle IPF	2	
Fifth cycle IPF	2 291	
Estimated expenditures in 1992	(542)	
Subtotal IPF		1 751
Project cost-sharing (Government)	-	
Project cost-sharing (third-party)	-	
Programme cost-sharing	-	
Subtotal cost-sharing		-
TOTAL		1 751

II. ALLOCATION OF RESOURCES (IPF + cost-sharing) BY AREA OF CONCENTRATION

Area of concentration	Thousands of dollars			Percentage of total resources
	IPF	Cost-sharing	Total	
Management development	500	-	500	28.6
Balanced and sustainable regional development	492	-	492	28.1
Subtotal	992	-	992	56.7
Assistance outside the main areas of concentration	186	-	186	10.6
Unprogrammed reserve	573	-	573	32.7
TOTAL	1 751	-	1 751	100

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III. COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES USED IN AREAS OF CONCENTRATION

(Thousands of dollars)

A.	UNDP-administered funds		
	SPR	-	
	UNCDF	787	
	UNSO	-	
	UNIFEM	-	
	UNRFNRE	-	
	UNFSTD	-	
	Subtotal		787
B.	Other United Nations resources		
	JCGP participating agencies		
	UNFPA	379	
	UNICEF	420	
	WFP	-	
	IFAD	-	
	Other United Nations agencies (non-UNDP financed)	-	
	Global Environment Facility	-	
	Subtotal		799
	Total non-core and other United Nations resources		1 586
C.	Non-United Nations resources		-
	TOTAL		1 586

Annex II

PROGRAMME MATRIX a/

Area of concentration	Area of focus					
	Poverty eradication and grass-roots participation in development	Environment and natural resource management	Management development	TCDC	Transfer and adaptation of technology	WID
I. MANAGEMENT DEVELOPMENT						
Economic and financial management reform			*			
Education planning			*			*
Tourism master plan	*	*	*			*
II. REGIONALLY BALANCED AND SUSTAINABLE DEVELOPMENT						
Labour-based construction methodologies	*	*			*	
Forestry resources management		*	*	*	*	*

a/ Asterisks indicate major linkage only.